



Managers' Internal Control Program

Senior Level Steering Group Senior Assessment Team



FY 2013, 2nd Quarter Meeting

Thursday, 17 January 2013

1300-1400

Pentagon Library Conference Center B1



Agenda

- 2013 Schedule of Events
- 2013 Status of Material Weaknesses
 - o Internal Control over Non-Financial Operations
 - o Internal Control over Financial Reporting
 - o Internal Control over Financial Systems
- Way Ahead



FY 2013 Schedule of Events

<u>Complete</u>	<u>Date</u>	<u>Event</u>	<u>OPR</u>
✓	Oct 18, 2012	1 st Qtr Senior Level Steering Group/Senior Assessment Team (SLSG/SAT)	SLSG
✓	Nov 14-15, 2012	OSD FY 13 MICP Conference (Navy Yard)	
✓	20 Nov 2012	Quarterly Video-Teleconference (VTC) with Reporting Organizations	SAFM-FO
	Jan 17, 2013	2 nd Qtr SLSG/SAT	SLSG
	21 Mar 2013	Quarterly Teleconference with Reporting Organizations	SAFM-FO
	Apr 18, 2013	3 rd Qtr SLSG/SAT	SLSG
	May 16, 2013	Annual statements from Army commands (ACOMs), Army service component commands (ASCCs) and direct reporting units (DRUs) due to OASA(FM&C)	Commands
	May 30, 2013	Annual statements from HQDA Principal Officials due to OASA(FM&C)	HQDA Principal Officials



FY 2013 Schedule of Events

Complete
e

Date

Event

OPR

Jun 29, 2013 Draft Army statement of assurance delivered to SLSG/SAT members for coordination SAFM-FO

July 6, 2013 Internal Control Over Financial Reporting Statement of Assurance sent to OSD SAFM-FO

Jul 10, 2013 SLSG/SAT member comments on draft Army statement due to OASA(FM&C) HQDA Principal Officials

11 Jul 2013 Quarterly Teleconference with Reporting Organizations SAFM-FO

Jul 18, 2013 4th Qtr SLSG/SAT SLSG

Jul 20, 2013 Release final draft Army statement thru DASA(FO) to SecArmy for signature SAFM-FO

Aug 16, 2013 Final signed Army statement delivered to the Secretary of Defense (Due: Sep 3, 2013) SAFM-FO



2013 Material Weakness Status

- Material weaknesses carried over from 2012
 - 4 Open Internal Control over Non-financial Operations (ICONO)
 - Expeditionary Contracting
 - Oversight of Service Contracts
 - Reporting of New Equipment in Transit
 - Reporting Accurate Obligations for the Permanent Change of Station (PCS) Program
 - 22 Open Internal Control over Financial Reporting (ICOFR)
 - General Fund – 13
 - Army Working Capital Fund – 9
 - 2 Open Internal Control over Financial Systems (ICOFS)
 - General Fund – Legacy Systems being subsumed by GFEBS.
 - Army Working Capital Fund – Legacy Systems being subsumed by LMP.



2013 Status of Material Weaknesses - Internal Controls Over Operations (ICONO)

- Expeditionary Contracting – ASA(ALT)
(Briefer: MSG Rodney Smith)
- Oversight of Service Contracts – ASA(ALT)
(Briefer: Ms. Gail Foley)
- Reporting of New Equipment in Transit – G-4
(Briefer: Mr. Dan Rogers)
- Reporting Accurate Obligations for the
Permanent
Change of Station (PCS) Program – ASA(FM&C)
(Briefer: Mr. Leon Smith)



Expeditionary Contracting Material Weakness



Weakness: The Army's acquisition workforce is not adequately staffed, trained, structured, or empowered to meet the Army's need. The contracting process is not treated as a core competency. Audit reports conclude that internal controls to mitigate risks in the contracting process are ineffective or nonexistent.

The Army is addressing this weakness through continued growth of the acquisition workforce, acquisition core training at the Army Acquisition Basic and Intermediate Course, Mission Ready Airman Course (MRAC), training exercises such as Joint Dawn, and the organizational alignment of the Army Contracting Command (ACC), Expeditionary Contracting Command (ECC), and United States Army Corps of Engineers (USACE) Military Contingency Contracting Teams (MCCT). Internal and external controls such as Independent Reviews (IR), Contract Management Reviews (CMR) and Procurement Management Reviews (PMR) have been implemented and are ongoing to mitigate risk in the contracting process.



Expeditionary Contracting Material Weakness



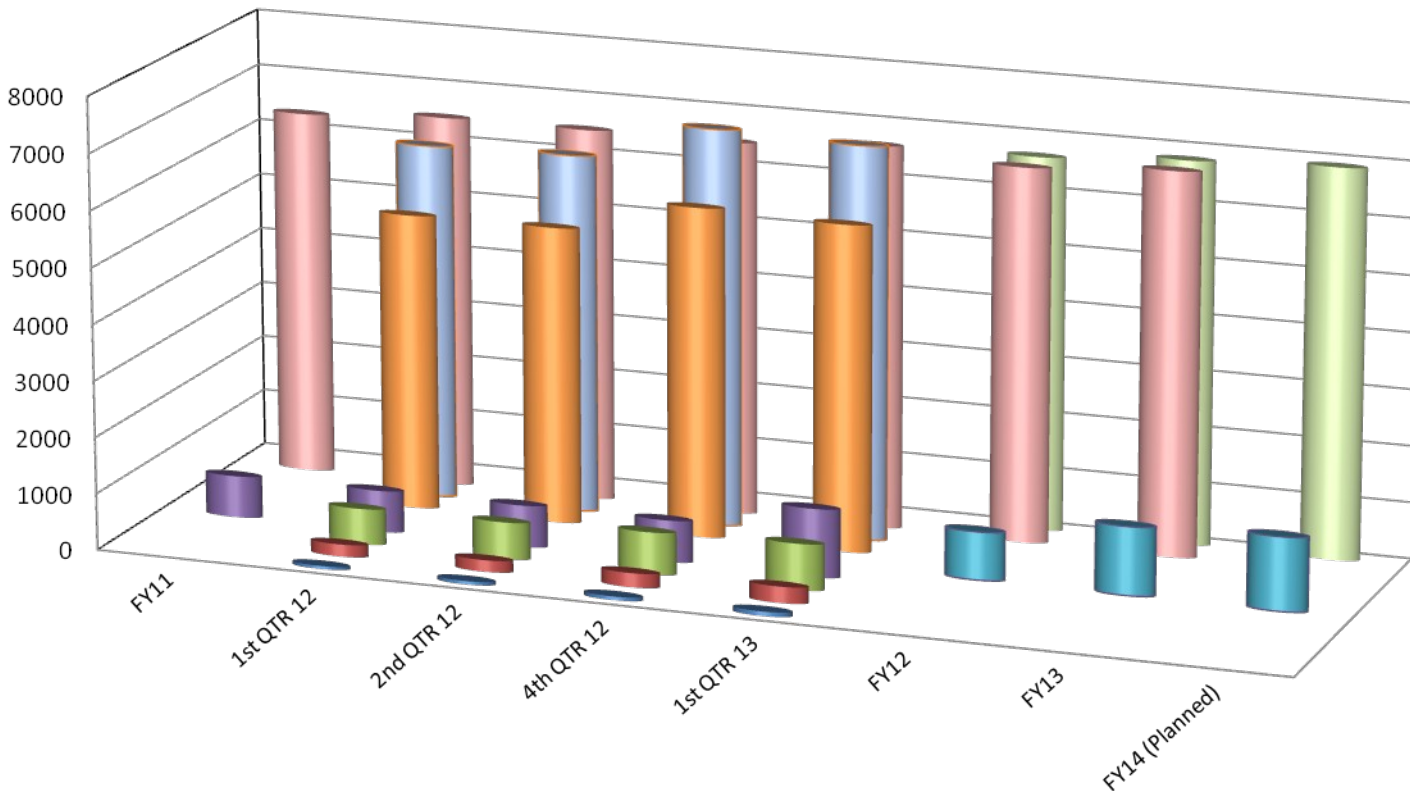
Date	Task Description	OPR	Status
3 rd Qtr FY 09	Establish AFARS Appendix BB (Contingency) Internal Control Evaluation Checklist	ASA(ALT)	Complete - AFARS appendix BB rewritten and published: revision #24, 26 Feb 09.
3 rd Qtr FY 10	Establish subtasks to grow and mature Expeditionary Contracting workforce	ASA(ALT)	Complete - Subtasks identified and metrics defined 3 rd Qtr FY10 to mature the 51C Force Design Update and the ACC Enhanced Contract Management Capability (ECMC)
4 th Qtr FY 11	Establish a Policy memorandum for Corrective Action and Subtask Completion Quarterly Review	DASA(P)	
4 th Qtr FY 11	Review and assess Expeditionary Contracting Command (ECC) and US Army Corps of Engineers (USACE) internal control implementation and subtask completion	DASA(P)	Complete - DASA(P) signed and issued the Army's Expeditionary Contracting Material Weakness Corrective Action Quarterly Review memo 6 June 2011
1 st Qtr FY 12	Monitor the 51C approved growth of 315 active duty Soldiers in FY13, for ECC and USACE	VCSA	Ongoing - Completion status provided quarterly; will be a continuous effort. Self - Inspection and Independent Review (IR) ongoing. Ongoing - Will increase active duty 51C structure to 1211 Soldiers by 2013. Currently 817 On Hand



Expeditionary Contracting Material Weakness



Date	Task Description	OPR	Status																																								
3 rd Qtr FY 12	<p>Conduct a quarterly review of the Expeditionary Contracting Force corrective action progress and subtask completion. Certification goal of 80% established to close the certification material weakness</p> <p>Certified</p> <p>Personnel</p> <table> <tr> <th>Component</th><th>On/Hand</th><th>Certified</th><th>Percent</th></tr> <tr> <td>51C Officer</td><td>418</td><td>287</td><td>69%</td></tr> <tr> <td></td><td>+37</td><td></td><td></td></tr> <tr> <td colspan="4">99% are within the 24 month grace period</td></tr> <tr> <td>51C NCO</td><td>399</td><td>79</td><td>19%</td></tr> <tr> <td></td><td>+14</td><td></td><td></td></tr> <tr> <td colspan="4">89% are within the 24 month grace period</td></tr> <tr> <td>1102 Civilian</td><td>6994</td><td>5794</td><td>83%</td></tr> <tr> <td></td><td>-66</td><td></td><td></td></tr> <tr> <td colspan="4">99% are within the 24 month grace period</td></tr> </table>	Component	On/Hand	Certified	Percent	51C Officer	418	287	69%		+37			99% are within the 24 month grace period				51C NCO	399	79	19%		+14			89% are within the 24 month grace period				1102 Civilian	6994	5794	83%		-66			99% are within the 24 month grace period				DASA(P)	<p>Complete - The certification goal is 80% based on authorized position: 99% of 1102 Civilian, 99% of 51C Officers, and 88% of 51C NCOs are within the required 24 month grace period for certification. The required 24 month grace period allows Expeditionary Contracting to meet the 80% goal</p> <p>NCO accreditation is authorized, Level I (no degree) & II (associates degree)</p>
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3 rd Qtr FY13		DASA(P)																																									
2 nd Qtr FY 14	51C NCO Accreditation - 80 personnel	USAAA	Request must be made 6 to 9 months prior to 2 nd QTR FY 14 USAAA audit																																								
4 th Qtr FY 14	+9	USAAA	No action required at this time																																								
4 th Qtr FY 14	Request USAAA audit	ASA(ALT)	<p>No action required at this time</p> <p>The Army plans on closing this material weakness NLT 4th Qtr FY14</p>																																								



NCOs Currently
Accredited
80 (+9)

Contracting Workforce is
79% Certified at the
Required Level

FY 13 Training
MRAC (LVL I) - 65 slots
AABC (LVL I) - 40 slots
AAIC (LVL II) - approx 40 slots (+ 10)



Expeditionary Contracting Material Weakness



Based of Army Audit Agency (AAA) recent audit, AAA recommends adding the following two milestones to the Expeditionary Contracting Material Weakness:

Track the deployability of military personnel, and unit readiness levels of contracting units:

- a. 80 percent deployability (1yr of contract writing experience) for military personnel
- b. 60 percent of expeditionary contracting units are classified as operational ready

ASA(ALT) Response:

- ASA(ALT) concurs that the above milestone are integral to the development of the workforce; but, we suggest that they not be added to the Expeditionary Contracting Material Weakness.

- ASA(ALT) will, however, implement internal controls as a separate item to track and monitor the two milestones upon publication of the AAA Audit Report.



Oversight of Service Contracts

Description: Inadequate oversight. Corrective Measures focus on training, appointment of Contracting Officers Representatives, preparation of plans and conduct of surveillance.

Date	Task Description	OPR	Status
2 nd Qtr FY 10	Leadership Focus Message	ASA(ALT)	Action complete. Chief of Staff Army memo issued 5 March 2010
4 th Qtr FY 10	Publish AR 70-13 (Management and Oversight of Service Contracts)	ASA(ALT)	Action complete. Army Publishing Directorate published document 31 July 2010
4 th Qtr FY 10	Develop revised corrective action taskers and milestones	ASA(ALT)	Action complete 22 April 2010
3 rd Qtr FY 11	Issue QASP policy guidance and training resources	ASA(ALT)	Guidance issued 27 October 2010
3 rd Qtr FY 11	Finalize centralized COR database guidance and management tools	ASA(ALT)	Decision made to delay AAA audit due to data inconsistencies in quarterly data submissions
3 rd Qtr FY 12	Assess COR/QASP compliance. Continue to monitor.	ASA(ALT)	Memo issued 19 April 2012. Tracking compliance; increased from 16% (last SLSG) to 44% (a/o 3 Oct).
4 th Qtr FY 12	DASA(P) memo to HCAs/PARCs directing use of COR tool - Use of COR module policy put in place - Initiate compliance assessment - Meet 90% compliance threshold	ASA(ALT)	Discussed at PARC Summit, 1 Aug 2012. Leadership message for PEO/PMs in staffing. Sent PARC Tasker on 9 Oct w/suspense of 19 Oct 2012.*
4 th Qtr FY12	Army contracting community attains compliance threshold as indicated by data pulled from the COR tool	ASA(ALT)	
2 nd Qtr FY13	Request AAA conduct audit	ASA(ALT)	Request sent to AAA (Joe Bentz) on 5 Oct 2012; confirmed 9 Oct that the audit has been added to the FY13 audit plan with start date in 2Q13.
	Coordinate with all Contracting Organizations to		Ongoing



Oversight of Service Contracts

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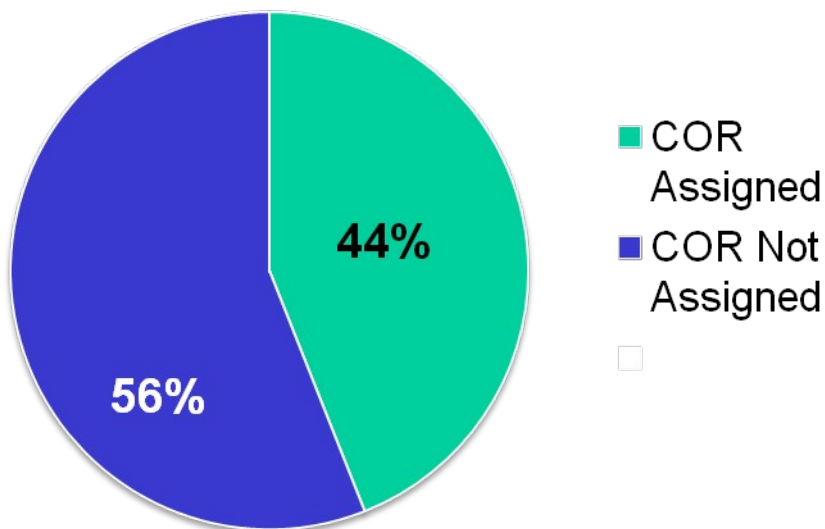
Date	Task Description	OPR	Status
2 nd Qtr FY13	AAA conducts audit	ASA(ALT)	Audit scheduled to start February 2013
2 nd Qtr FY13	Implementing Internal Control Oversight to ensure continued oversight	ASA(ALT)	Inputting additional internal controls and documenting in conjunction with the Annual Statement of Assurance
4 th Qtr FY13	AAA Audit report published	ASA(ALT)	Audit completion with report scheduled August 2013
4 th Qtr FY13	Close out of Material Weakness	ASA(ALT)	Based on the results of the AAA Audit (expect to close material weakness).
	Targeted Correction Date: 4rd Qtr FY 13		



Service Contracts COR Status

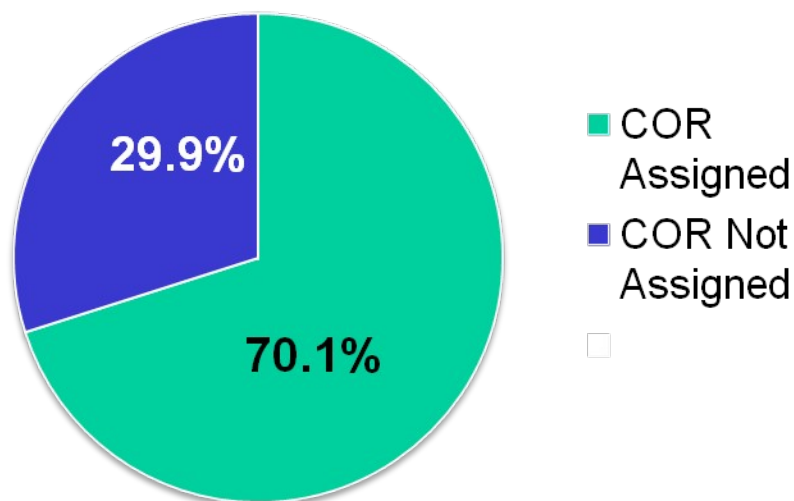
Description: Inadequate oversight. Corrective Measures focus on training, appointment of Contracting Officers Representatives, preparation of plans and conduct of surveillance.

COR Status – Total Active Service Contracts



1st QTR FY13 (October 2012)

COR Status – Total Active Service Contracts



2nd QTR FY13 (January 2013)

Selection: Active service contracts and orders with a value > \$150,000 awarded since 1 June 2012

Total percentage includes all Army Contracting Commands

Total active service contracts and orders requiring a COR = 8325

Total with a COR assigned = 5835

Total without a COR assigned = 2490

Plan of Action -

1. DASA(P) APR12 Memo requires 90% compliance by 19 Oct 2012
2. PARC Tasker #12-02 distributed on 3 Oct 2012
3. Continue monitoring progress using VCE COR website data
4. Will add to Internal Controls for Procurement Management Review and as reporting metric for COR compliance with VCE COR Tool

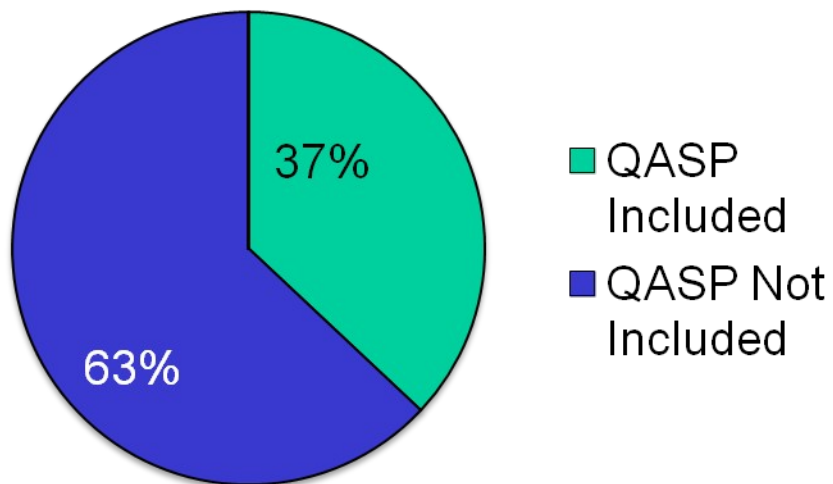
(Data as of 8 January 2013)



Service Contracts QASP Status

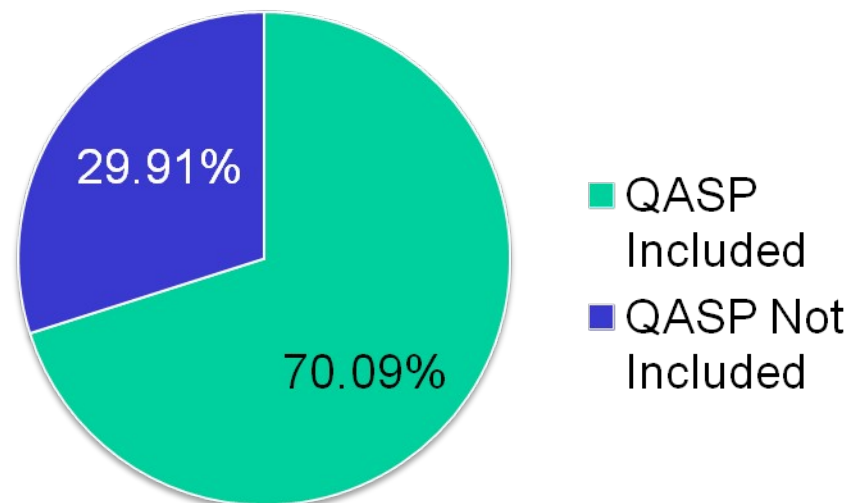
Description: Inadequate oversight. Corrective Measures focus on training, appointment of Contracting Officers Representatives, preparation of plans and conduct of surveillance.

QASP Status – Total Active Service Contracts



1st QTR FY13 (October 2012)

QASP Status – Total Active Service Contracts



2nd QTR FY13 (January 2013)

(Data as of 8 January 2013)



Reporting of New Equipment In-Transit

Description: The U.S. Army lacks internal controls to adequately monitor the shipment and receipt of equipment through the Supply System resulting in unreliable data on the value reported on the U.S. Army's financial statements. This error makes it difficult to gain visibility over the total number of major items, determine maintenance requirements, and redistribute equipment. AAA and G4 restructured the weakness in 2008 to address just Total Package Fielding (TPF) transactions to track equipment in-

transit from the Program Management office to the unit.

Date	Task Description	OPR	Status
January 2008	USAAA closed the Financial Reporting of Equipment In-Transit, Audit Report AA 96-156, Material Weakness and DA-G4 re-scoped a New Material Weakness to focus on Total Package Fielding In-Transits.		Background
4 th Qtr FY 08			Background
2 nd Qtr FY 09	Developed flowchart detailing Equipment In-Transit Process; revised AR 710-2 to include metrics for closeout of in-transit records; modified Command Supply Discipline Program Checklist to Include the metrics.	G-4	Complete
2 nd Qtr FY 10	Process retesting (Tollgate Control – Transition Brief: 19 October 09) Apr 09 submitted ECP for PBUSE to pull D6S (Receipt Documents); converted to DRA and inputted into DAS to Feed CCSS to close open transactions; actions being Input into LMP to ensure closure of in-transit transactions. Initial pilot test results show an improvement from 16% Closure rates to 90% closure rates.	G-4	Complete
3 rd Qtr FY 10	Request USAAA validation and closure following Tollgate Review. AAA conducted entrance brief with key players for audit validation	AAA	Completed w/o resolution



Reporting of New Equipment In-Transit (Con't)

Date	Task Description	OPR	Status
1 st Qtr, FY 11	LMP TPF document creation/generation developed and fielded to the LCMCs.	AMC/Army G-4	Completed
2 nd Qtr, FY 11	Develop internal control process for validation of manual closure of LMP TPF documents. Investigate design for an automated fix.	AMC/Army G-4	Completed
3 rd Qtr, FY 12	Revised milestones with target date 3 rd Qtr, FY 10 changed to 3 rd Qtr, FY 12.	AMC/Army G-4	Completed
4th Qtr, FY 12	Map and compare the TPF and Non-TPF process flow between LMP, DSS, SARRS and PBUSE/GCSS-Army. Research closure of aged in-transits in LMP	ASA-FMC/AMC Army G-4	Completed
1 st Qtr, FY 13	Analysis expanded to include new equipment in-transits for non TPF shipments. Analysis underway to understand and correct non-compliant transactions that occurred during the transition to LMP. Analyzing current data pull; assessing sustainment needs based on recent discovery.	AMC /Army G-4	Ongoing
4th Qtr, FY 14	Monitor closures based on newly identified gaps in process and introduction of new retail Property Accountability System (GCSS-Army)	AMC/Army G-4	Open
4 th Qtr, FY 15	Monitor the implementation of IUID in the tactical and national Property Accountability systems (Required to demonstrate and sustain existence and completeness)	AMC/.Army G-4	Open
3 nd Qtr, FY 15	Complete re-mapping the financial process for in transits from LMP and PBUSE/GCSS-Army to GFEBS.	ASA-FMC/AMC Army G-4	Open
1st Qtr, FY 16	Test the financial reporting of equipment from LMP/DSS and PBUSE/GCSS-Army to GFEBS.	ASA-FMC/AMC Army G-4	Open
2 nd Qtr, FY 16	Request AAA Audit	Army G-4	Open
4th Qtr, FY 16	USAAA validates closure of weakness for the financial reporting of equipment in transit of major end item new equipment fielding.	AAA	
	Targeted Correction Date: 4 th Qtr FY 16		

Reporting Accurate Obligations for the Permanent Change of Station (PCS)

Date	Task Description Development	OPR	Status
2 nd Qtr FY 2012	<ul style="list-style-type: none"> •ID and Validate Support Requirements •Hire Support Team •USAAA IPR #1 	<ul style="list-style-type: none"> •Co-Sponsors •Co-Sponsors 	<ul style="list-style-type: none"> ✓ Completed ✓ Completed
3 rd Qtr FY 2012	<ul style="list-style-type: none"> •Initial Pilot to Confirm Orders Log •USAAA IPR #2 	<ul style="list-style-type: none"> •Co-Sponsors 	<ul style="list-style-type: none"> ✓ Completed
4 th Qtr FY 2012	<ul style="list-style-type: none"> •Gap & Issue Analysis & finalize To-Be Process Map •USAAA IPR #3 •Cost-Benefit Analysis and Decision Brief 	<ul style="list-style-type: none"> •Co-Sponsors •Co-Sponsors •Co-Sponsors 	<ul style="list-style-type: none"> ✓ Completed ✓ Completed ✓ Completed
<p>Note: This is an <u>Interim</u> active component PCS project for the Army pending ERP full implementation. Not building an order writing system.</p>			
<p><u>OPR Co-Sponsors:</u> Mr. Art Hagler, Director of Military Personnel & Facilities, ASA(FM&C) Dr. Bob Steinrauf, Director of Plans & Resources, G-1</p>			

Reporting Accurate Obligations for the Permanent Change of Station (PCS) Program

Date	Task Description: Modify Decision-Brief (DB) Process Attest-SBR Ready	Co-Sponsors	Status
1 st Qtr FY 2013	<ul style="list-style-type: none"> • Modify: Integrate Decision-Brief (DB) into SBR Process 	<ul style="list-style-type: none"> • Co-Sponsors 	<ul style="list-style-type: none"> ✓ Funding Approval • Investment Review Board (IRB) ✓ Begin modification using seed funding • Receive funding
2 nd Qtr FY 2013	<ul style="list-style-type: none"> • EXORD – Inclusion of a standard document number on all active component PCS orders • USAAA IPR #4 	<ul style="list-style-type: none"> • G-1 • Co-Sponsors 	<ul style="list-style-type: none"> ✓ Released DTG 151641Z Jan 13, EXORD 062-13 • Scheduled for 14 Feb
3 rd Qtr FY 2013	<ul style="list-style-type: none"> • Implementation Plan & Pre-Assertion Review 	<ul style="list-style-type: none"> • Co-Sponsors 	<ul style="list-style-type: none"> • No action required at this time
4 th Qtr FY 2013	<ul style="list-style-type: none"> • Execute Assertion Review 	<ul style="list-style-type: none"> • Co-Sponsors 	<ul style="list-style-type: none"> • No action required at this time
1 st Qtr FY 2014	<ul style="list-style-type: none"> • Execute Examination Attestation (3 mos.) 	<ul style="list-style-type: none"> • USAAA 	<ul style="list-style-type: none"> • No action required at this time
2 nd Qtr FY 2014	<ul style="list-style-type: none"> • Write Examination Attestation Report (3 mos.) • SBR Audit Ready (end of 2nd Qtr FY 2014) 	<ul style="list-style-type: none"> • USAAA • Co-Sponsors 	<ul style="list-style-type: none"> • No action required at this time • No action required at this time
Targeted SBR Audit Ready: End of 2nd Qtr FY 2014			

Solving the DA Material Weakness for PCS

“As-Is” Bulk Process

Defect #1 From

- **No internal controls in place to track timely reporting of individual A/C orders**
 - 265,000 base orders per year/1380 daily
 - \$1.9 billion annual appropriation

Defect #2 From

- **Unable to apply a reliable individual A/C cost estimate - too broad # moves x rate**

Defect #3 From

- **Unable to reconcile individual A/C obligations with disbursements**

“As-Is” (General)

- **Centralized funding**
- **High error rate with marginal corrective measures**
- **Risk for ADA**
- **Potential for fraud, waste, and abuse**
- **Lack internal controls to meet SBR by FY 2014**

“To-Be” Individual Process

Defect #1 To

- **Obligate individual A/C orders at time of issuance**
 - Standard Document Number (SDN) is leveraged end-to-end
 - Daily orders log submission

Defect #2 To

- **Calculate an individual A/C cost estimate which is reliable and reasonable**

Defect #3 To

- **Reconcile individual A/C obligations with disbursements (leveraging SDN)**

“To-Be” (General)

- **ID of errors with ability to apply timely corrective action**
- **Real-time dashboards in support of internal controls and assistance to Justification Books**
- **Savings & Cost Avoidance opportunities**
- **Resolves material weakness, audit**

Solving the DA Material Weakness for DCS

STRATEGY

- Have a clear problem statement
- Avoid parallel efforts – recon the environment
- No “Throw Away” dollars – ERPs have the long haul
- Go out and “Learn” the process
- Have the right team – SMEs
- Strategic communication is ongoing with project sponsors, stakeholders & ERPs
- Eliminate silos
- IPRs with USAAA – plan & right-seat ride
- Incremental/phased plan – building until ERP ready
- “Process change” rather than system change
- Combat multipliers: regulations, policy, senior guidance, use of “Now” capability
- Solution is easy to implement and user friendly
- Work with Joint Organizations: DFAS, USTRANSCOM, SDDC, Air Mobility Command, Joint Property Offices
- Establish Internal Controls
 - ✓ Complementary support; systems and people
 - ✓ ID errors and have a process to apply corrective measures



2013 Status of Material Weaknesses - Internal Controls Over Financial Reporting (ICOFR)

- General Fund: Briefer: Mr. William Roberts, Director, General Fund Audit Readiness, OASA(FM&C)
- Army Working Capital Fund: Ms. Elsie Steffany, Director, Army Working Capital Fund Audit Readiness, OASA(FM&C)



Internal Control Over Financial Reporting (ICOFR)

Material Weaknesses

- Army currently reports 22 auditor-identified ICOFR material weaknesses for both General Fund (GF) and Working Capital Fund (AWCF). (Ref: DOD Office of Inspector General Audits of Financial Management, Report No. D-2010-002, dated Oct 19, 2009.)
- These weaknesses transcend nearly every business process in the Army and manifest themselves in the financial statements.
- The Army's financial improvement plan (FIP) guides the actions necessary to correct these weaknesses.
- Functional proponents execute activities included₂₃



2013 Auditor Identified Weaknesses

- Fund Balance with Treasury (GF)
- Inventory and Related Property (GF & AWCF)
- General Property, Plant, and Equipment (GF & AWCF)
- Environmental Liabilities (GF)
- Intragovernmental Eliminations (GF & AWCF)
- Accounting Adjustments/Accounting Entries (GF & AWCF)
- Accounts Receivable (GF)
- Accounts Payable (GF & AWCF)
- Statement of Net Cost (GF & AWCF)
- Abnormal Account Balances (GF & AWCF)
- Statement of Budgetary Resources (GF & AWCF)
- Reconciliation of Net Cost of Operations to Budget (GF & AWCF)
- Contingency Payment Audit Trails (GF)



Summary of Changes to Audit Readiness Timeline

Old and New Assertion Target Dates	Related Material Weaknesses	Reason for Change in Dates
Old date: 1st Qtr FY 2015 New date: 3 rd Qtr FY 2014	Environmental Liabilities (GF) Intragovernmental Eliminations (GF) Accounting Adjustments (GF) Accounts Receivable (GF) Accounts Payable (GF) Statement of Net Cost (GF) Abnormal Account Balances (GF) Statement of Budgetary Resources (GF) Reconciliation of Net Cost of Operations to Budget (GF)	Secretary of Defense Leon E. Panetta's "Improving Financial Information and Achieving Audit Readiness" memorandum dated 13 October 2011 directed the Department to revise its financial improvement and audit readiness (FIAR) plan to achieve audit readiness for the Statement of Budgetary Resources by the end of FY 2014. In response to the memorandum, the Army accelerated its audit readiness timeline.



ICOFR-related Accomplishments

Accomplishments	Related Material Weaknesses
Received an unqualified audit opinion for GF appropriations received (FY2011)	Statement of Budgetary Resources (SBR) (GF)
Received a qualified audit opinion for five GF SBR processes at the General Fund Enterprise Business System (GFEBS) Wave 1 locations (Forts Jackson, Stewart, and Benning) (FY2011)	Statement of Budgetary Resources (GF)
<ul style="list-style-type: none">• Completed discovery, evaluation, and testing at the SBR GFEBS Wave 2 locations and delivered corrective action training to over 10 installation sites• Began examination (“mock audit”) by an independent public accounting firm of nine GF SBR processes at 10 GFEBS Wave 2 locations; also includes Defense Finance and Accounting Service—Indianapolis operations and GFEBS Information Technology (IT) controls.	Statement of Budgetary Resources (GF)



ICOFR-related Accomplishments (cont.)

Accomplishments	Related Material Weaknesses
<ul style="list-style-type: none">•Expanded Existence & Completeness (E&C) effort to entire Army Military Equipment (ME) and General Equipment (GE) universe to perform discovery, evaluation, and testing.•Began monthly internal controls and substantive testing in October 2012 for ME/GE.	General Property, Plant, and Equipment (GF)
<ul style="list-style-type: none">•Asserted audit readiness in December 2012 for Real Property at 23 installations for E&C and rights and obligations.•Finalized migration from legacy system (IFS) to GFEBS.	General Property, Plant, and Equipment (GF)
<ul style="list-style-type: none">•Asserted audit readiness of existence and completeness for three Operating Materials & Supplies (OM&S) asset categories (Hellfire, Javelin, and TOW missile programs).	Inventory and Related Property (GF)
DFAS approved the requirements and budget for the FBwT reconciliation tool. Developmental server and computer code for CGAS is available at DFAS. DFAS Note: TOW is Tube-Launched Optically-Tracked Wire-Guided missile started the development of the Army	Fund Balance with Treasury (GF)



ICOFR-related Accomplishments (cont.)

Accomplishments	Related Material Weaknesses
Completed IT general and application controls assessment of GFEBS against Federal Information System Controls Audit Manual (FISCAM) and Federal Information Security Management Act (FISMA) requirements	Inventory and Related Property (GF) General Property, Plant, and Equipment (GF) Intragovernmental Eliminations (GF & AWCF) Accounting Adjustments (GF) Accounts Receivable (GF) Statement of Net Cost (GF) Abnormal Account Balances (GF) Statement of Budgetary Resources (GF) Reconciliation of Net Cost of Operations to Budget (GF)
Completed IT general and application controls assessment of Global Combat Support System-Army (GCSS-A) against FISCAM and FISMA requirements	Inventory and Related Property (GF) General Property, Plant, and Equipment (GF) Intragovernmental Eliminations (GF & AWCF) Accounting Adjustments (GF) Accounts Receivable (GF) Statement of Net Cost (GF) Abnormal Account Balances (GF) Statement of Budgetary Resources (GF) Reconciliation of Net Cost of Operations to Budget (GF)



Internal Control Over Financial Systems (ICOFS)

~~Material Weaknesses~~

- Army currently reports two auditor-identified material weaknesses for both GF and WCF in Financial Management Systems.
- Army accounting systems lack a single, standard transaction-driven general ledger. The Army needs to upgrade or replace many of its non-financial feeder systems so that financial statement reporting requirements could be met. The lack of a single, standard transaction-driven general ledger will continue to prevent the Army from preparing auditable financial statements.
- The Army Working Capital Fund systems do not collect and record financial information as required by U.S. GAAP. The financial and nonfinancial feeder systems do not contain the required system integration to provide a transaction-level audit trail for the amounts reported in the proprietary and budgetary general ledger accounts.



FY 2013 Status of Material Weaknesses - Internal Controls Over Financial Systems (ICOFS)

- Internal Controls Over Financial Systems (ICOFS) – GF ASA(FM&C) (Briefer: Mr. Roger Pillar)
- Internal Controls Over Financial Systems (ICOFS) – AWCF ASA(FM&C) (Briefer: Ms. Margaret Powell)



ICOFs-Related Accomplishments (GFEBS)

Target Date	Task Description (Goal)	OPR	Status
Ongoing	Assert compliance with applicable SFIS BEA business rules.	ASA FM&C	GFEBS is currently 97% compliant
Ongoing	Assert substantial compliance with FFMIA requirements	AAA	AAA determined GFEBS is substantially compliant with 97.27% of in scope FFMIA requirements through R1.4.4 test event.
Ongoing	Assert compliance with current version of BEA	ASA FM&C	GFEBS is 98% Compliant with 2% Planned Compliance for BEA version 8.0
Ongoing	Close all FISCAM deficiencies identified by DASA-FO and IBM during the 2011 internal, independent GFEBS Readiness Exam.	ASA FM&C	GFEBS has closed 86.9% (120 out of 138) of FISCAM deficiencies identified during 2011 Readiness Exam.
3 rd Qtr FY13	Remediate 166 actions identified during IBM, PwC and SFIS compliance audits (60 high risk).	ASA FM&C	146 actions have been completed, which include 51 high risk items.
4 th Qtr FY13	Fully implement and field GFEBS-Sensitive Activities	ASA(LT)	Currently in source selection. Risk: Funding not expected before March 2013
4 th Qtr FY13	Integrate MILPAY Appropriations into GFEBS	ASA FM&C	Implementation will begin Oct. 2013 Risk: Funding
4 th Qtr FY14	Assert Army GF SBR	ASA FM&C	Exam 2 currently in progress. Exam 3 scheduled to start July 2013.
4 th Qtr FY15	Retire 108 legacy systems due to implementation and fielding of GFEBS	ASA FM&C	31 systems currently retired due to implementation and fielding of GFEBS



ICOFIS-Related Accomplishments (GCSS Army)

Target Date	Task Description (Goal)	OPR	Status
Ongoing	Assert compliance with applicable SFIS BEA business rules.	ASA FM&C	GCSS-Army is 90% compliant in material business rules
Ongoing	Assert compliance with FFMIA requirements	AAA	Currently engaged with AAA for FFMIA attestation. Release 1.1 reviewed and awaiting AAA analysis and work papers. AAA estimated completion date for Rel 1.1 is July 2013
Ongoing	Assert compliance with recent version of BEA	ASA FM&C	GCSS-A is currently 93% compliant with applicable (89) requirements.
1 st Qtr FY13	Conduct Systems Control Assessment for Audit Readiness against FISCAM and FISMA requirements	ASA FM&C	Assessment report completed Oct 12 and currently remediating issues
1 st Qtr FY13	Deploy GCSS-Army	ASA FM&C	Began Wave 1 deployments in November 2012
1 st Qtr FY13	Receive Full Deployment Decision (FDD) for GCSS-Army	ASA FM&C	Received recommended FDD approval 13 December 2012
4 th Qtr FY14	Assert Army GF SBR	ASA FM&C	Exam 3 scheduled to start July 2013.



ICOFs-Related Accomplishments (LMP)

Target Date	Task Description (Goal)	OPR	Status
4th Qtr FY14	Retire 97% of CCSS and 100% of SDS legacy systems due to implementation and fielding of LMP	ASA FM&C	42 instances of Standard Depot System (SDS), and 7 instances of Command Commodity Standard System (CCSS) retired as of October 2010. The remaining partial instance of CCSS (80 out 480 aps) for Non-Army Managed Items (NAMI) will be retired in Jul 14 under Increment 2.
2 nd Qtr FY13	Assert compliance with applicable SFIS BEA business rules.	ASA FM&C	LMP is currently 80% compliant. Working with DCMO, DFAS, and HQAMC-G8 to address findings from the Dec 12 DCMO Review.
1 st Qtr FY14	Assert substantial compliance with FFMIA requirements	AAA	To date, 91 of 159 test cases for Phase 1 have been executed. AAA witnessed the execution of Fiscal Year End and Manufacturing/Remanufacturing scripts in support of LMP's FFMIA compliance based on the Jan 2011 Blue Book NLT 1 Oct 13.
4 th Qtr FY12	Assert compliance with current version of BEA	ASA FM&C	LMP is 100% Compliant with BEA version 8.0. Next version is BEA 10.0 in FY13
Ongoing	Provide requested artifacts in support of DASA-FO and PwC FISCAM testing of LMP scheduled for the period Aug 2012 to May 2013.	ASA FM&C	Bi-weekly meetings with PwC initiated on 29 Aug 2012. PwC Site visit at Marlton week of 10 Dec to review audit deliverables. LMP continuing to support PwC requests for additional documentation.
2 nd Qtr FY13	Remediate 27 Outstanding SFIS business rules identified during DCMO SFIS BEA 9.0 Assessment in December	ASA FM&C	POAM being developed with Army to address to complete validation of six major components of the DCMO SFIS BEA 9.0 Assessment report



WAY AHEAD

Our next SLSG is:

18 April 2013

1300-1400

Pentagon Conference Center

Room B1



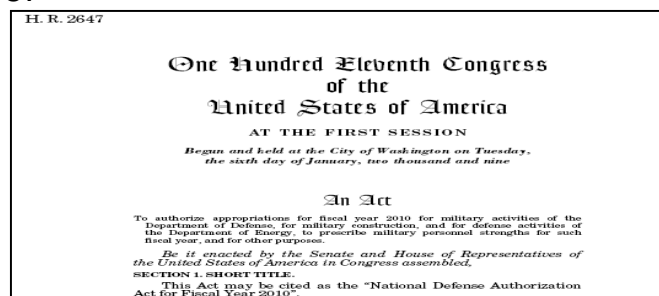
Senior Level Steering Group/Senior Assessment Team

Backup



Audit Readiness: Why These Efforts?

- **Under Secretary of Defense (Comptroller) priorities memorandum dated 11 August 2009**
 - Improve Statement of Budgetary Resources (SBR), which is the financial statement that includes status of budgetary resources, obligations, and outlays.
 - Verify the existence and completeness (E&C) (book-to-floor and floor-to-book) of mission critical assets, including general equipment, military equipment, real property, inventory, and missiles/ammunition.
- **National Defense Authorization Act for FY2010 - P.L. 111-84 (Signed into law 28 October 2009)**
 - Echoed priorities from USD(C) memo.
 - Requires audit readiness by 2017.
- **Secretary of Defense directive on 13 October 2011:**
 - Accelerate the SBR deadline to 2014.
 - Increase emphasis on E&C of assets.
 - Ensure mandatory training for audit efforts.
 - Establish a certification program for financial managers.





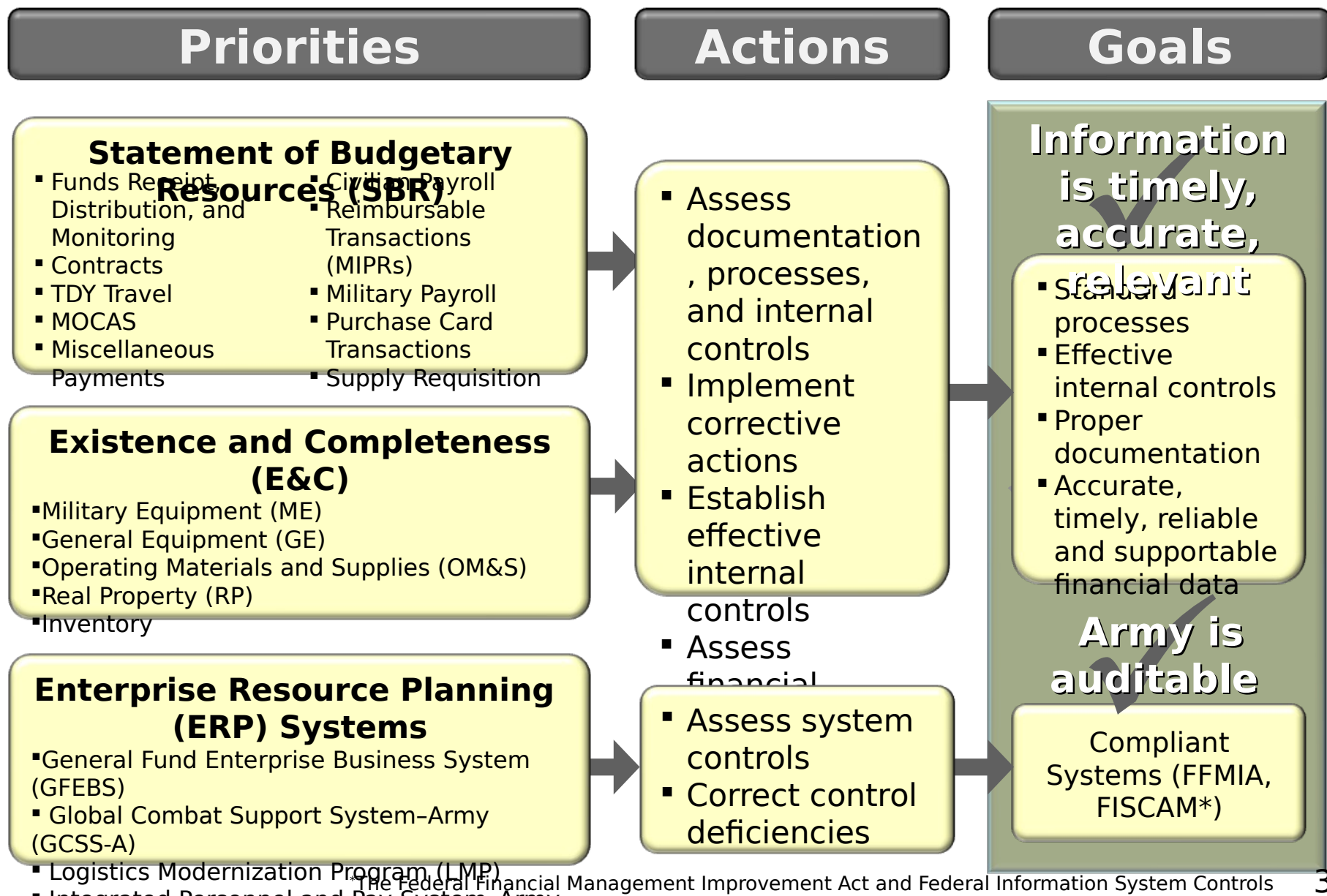
Audit Readiness Meets ICOFR Requirements

ICOFR Methodology / Reporting Requirement	Supporting FIAR* Guidance Phase
Step 1: Plan for the assessment by reviewing financial reports, determining key processes, and identifying the internal controls to evaluate.	Evaluation & Discovery
Step 2: Evaluate internal control at the entity level to gain an understanding of management's attitude toward, awareness of, and organizational structure supporting internal control.	Evaluation & Discovery
Step 3: Evaluate internal control at the process and application level by reviewing documented policies, procedures, and process flows to assess the design or absence of internal control.	Evaluation & Discovery
Step 4: Test at the transaction level to determine the operating effectiveness of manual and automated internal controls.	Evaluation & Discovery, Evaluation (Testing)
Step 5: Identify, assess, correct, and report internal control deficiencies.	Evaluation & Discovery, Corrective Action, Evaluation (Testing)
Phase 1: Process Flows, Narratives and Risk Assessments <i>NLT June 30, 2012</i>	Evaluation and Discovery
Phase 2: Testing (Test Plans and Control Assessments) <i>NLT June 30, 2014</i>	Evaluation & Discovery, Corrective Action, Evaluation (Testing)
Phase 3: Assertion Documentation <i>NLT March 31, 2017</i>	Evaluation & Discovery, Corrective Action, Evaluation (Testing), Assertion
Annual Statement of Assurance	Evaluation & Discovery, Corrective Action, Evaluation (Testing),

* FIAR is DoD Financial Improvement and Audit Readiness



Executing the Financial Improvement Plan





Supporting Efforts for Change Management

Supporting Efforts Help the Army Address GAO's Six Challenges to DoD Auditability

- Sustaining continuous leadership
 - Competent FM workforce
 - Accountability and oversight
 - Well-defined business architecture
 - ERP Systems
 - Internal Controls
- Sustaining continuous leadership
 - SECDEF directive
 - Active engagement and directive memoranda from SA, CSA, ASA(FM&C)
 - Army Audit Readiness Strategy
 - Building a competent workforce
 - Command Audit Readiness Guide
 - AKO Audit Readiness Site
 - Audit readiness training
 - Annual FIP Workshop
 - *FIP Report* newsletter
 - Well-defined architecture / ERP Systems
 - OBT and PEO-EIS actively engaged
 - ERP auditability assessments
 - Accountability & Oversight
 - SES performance plan requirement
 - Army governance
 - In-Process Reviews (GS-14/15)
 - Audit Committee Meetings (SES/GO)
 - Internal Review Workgroup
 - Participation in OSD Governance
 - Internal Controls
 - Installation-level process and control assessments
 - Corrective action implementation
 - Business process and controls training
 - Leveraging IR to assess controls and corrective actions
 - Instilling discipline and compliance with current policies



Statement of Budgetary Resources (SBR)

The SBR provides information on how budgetary resources were made available and how they were

- Completed:**
- Received unqualified audit opinion on Appropriations Received in August 2011.
 - Received qualified audit opinion on GFEBS Wave 1 installations in November 2011.
 - Asserted audit readiness for GFEBS Wave 1 and 2 sites in June 2012.
 - Facilitated training for all USARC fund centers.
 - Completed centralized testing for several Army fund centers.

Underway:

- Exam 2 for Wave 1 and 2 sites.
- Centralized testing for ARNG.
- Kick off substantive testing across the Army.
- Re-alignment of SBR control catalog.
- Facilitation of training for GFEBS Wave 8a and 8b.

SBR sections:

- Budgetary Resources Received
- Status of Budgetary Resources
- Change in Obligated Balance

Processes:

- Funds Receipt, Distribution, and Monitoring
- Contracts
- TDY Travel
- Reimbursable Transactions (MIPRs)
- Civilian Payroll
- Military Payroll
- Miscellaneous Payments
- Purchase Card Transactions
- Supply Requisition
- Other



Existence & Completeness (E&C)

E&C verifies existence (book to floor) and completeness (floor to book) of mission critical assets.

Completed:

- Initial site visits at 60+ locations (i.e., installations, arsenals, depots, ammunition plants, program management offices).
- Assertion of OM&S E&C three missile programs (Javelin, Hellfire, and TOW) in June 2012.
- Assertion of 23 Real Property sites.

Current asset categories:

- Military Equipment (ME)
- General Equipment (GE)
- Inventory
- Operating Materials and Supplies (OM&S)
- Real Property (RP)

Underway:

- Reviewing and testing controls each month.
- Enforcing and implementing effective quality control review programs such as the Command Supply Discipline Program (CSDP).
- Modified the financial reporting process to use accountable property systems of record (APSR) (GFEBS for RP; PBUSE for ME and GE; LMP and WARS for OM&S) data on financial statements.



Enterprise Resource Planning (ERP) Systems

ERP systems with effective automated controls support audit readiness.

Assessments underway for:

- General Fund Enterprise Business System (GFEBS)
- Global Combat Support System-Army (GCSS-Army)
- Logistics Modernization Program (LMP).
- Defense Joint Military Pay System (DJMS).
- DoD feeder systems.
- Army MILPAY feeder systems.

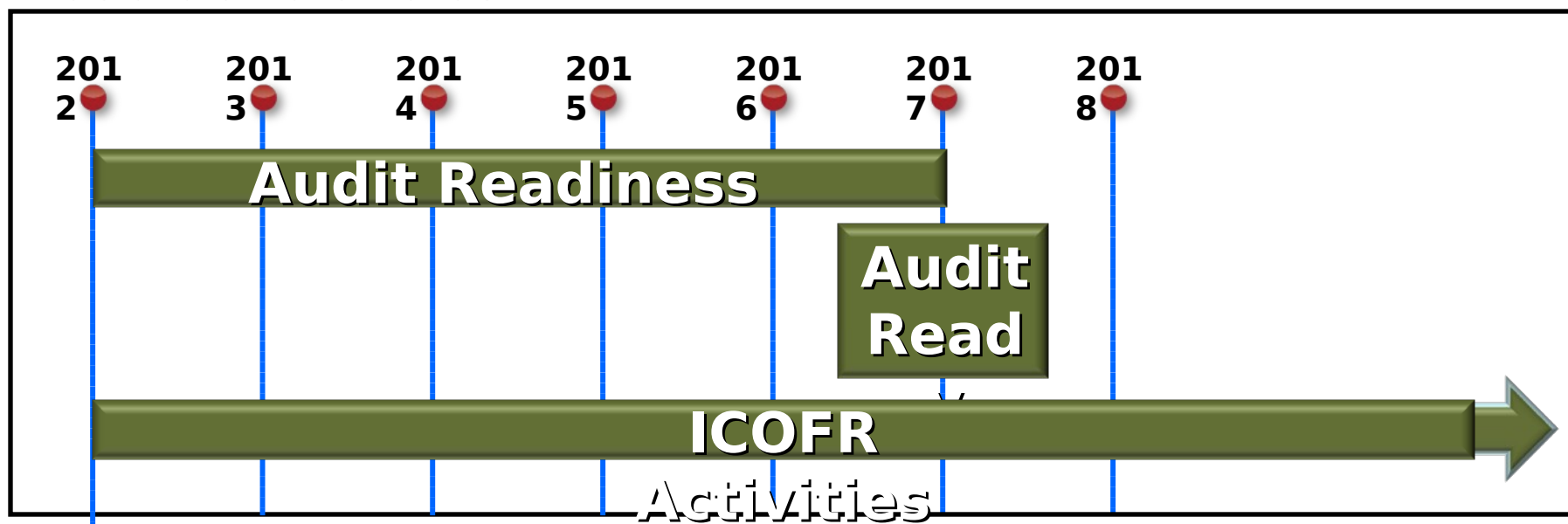
Army is implementing Governance, Risk, and Compliance (GRC) practices for both automated and manual processes and controls.



ICOFR Will Sustain Audit Readiness

Army will sustain by performing annual ICOFR activities:

- Testing.
- Identifying control deficiencies.
- Implementing corrective action plans to resolve those deficiencies.





VCSA Oversight

Secretary of the Army Memo:

- Distributed September 20, 2012.
- Required initial completion of the Commander's Audit Readiness Checklist by December 14 (Internal Controls).
- Directs that VCSA will:
 - Review monthly testing results.
 - Hold quarterly meetings with commanders to ensure continued progress towards financial improvement.



Recommendations for VCSA Oversight

- Leverage existing forum chaired by VCSA.
- Include audit readiness on agenda of every third monthly meeting (e.g., March, June, September, December).
- Review audit readiness summary provided by ASA(FM&C).
- Require Commanders to report on the status of control effectiveness, testing results, and corrective action implementation.



Making and Measuring Progress



Audit readiness control catalogs list all identified internal control activities related to a specific business process.

Command And Installation Audit Readiness Guide

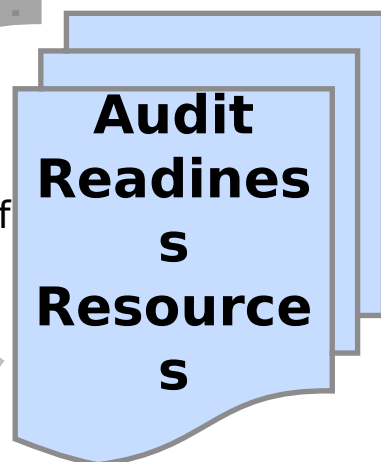
Provides guidance to Commands and Installations on properly executing key business processes controls.

Commander's Audit Readiness Checklist

Details the basic actions every Commander must be aware of and their organizations must take to enable and sustain audit readiness.

Business Process Training

Provides an understanding of the proper way to execute the internal controls within the Army's business processes.



Support of Execution

Testing Results of Execution

Control Activity				
1.01	1.04	1.06	2.01	2.02
Not Tested	Not Tested	Not Tested	Not Tested	Not Tested
Not Tested	Not Tested	Not Tested	Not Tested	Not Tested
Not Tested	Not Tested	Not Tested	Not Tested	Not Tested
Not Tested	Not Tested	Not Tested	Not Tested	Not Tested
Not Tested	Not Tested	Not Tested	Fail	Fail
Fail	Not Tested	Not Tested	Not Tested	Not Tested
Fail	Not Tested	Not Tested	Not Tested	Not Tested
Not Tested	Not Tested	Fail	Not Tested	Not Tested
Not Tested	Not Tested	Fail	Not Tested	Not Tested
Not Tested	Not Tested	Not Tested	Fail	Pass
Not Tested	Not Tested	Not Tested	Fail	Pass
Not Tested	Not Tested	Not Tested	Fail	Pass
Not Tested	Fail	Not Tested	Not Tested	Not Tested
Not Tested	Fail	Not Tested	Not Tested	Not Tested

Monthly Testing Results

Testing provides ASA(FM&C) and Commanders a status of the effectiveness of control execution at each command and across the Army.



Monthly Audit Readiness Testing Overview & Scope

- Randomly selected transactions, which limits the number of tested organizations each month. When the larger commands are not selected in random sampling, judgmental sampling will ensure thorough testing coverage.
- If one sample failed at a Command, then the Command failed the control.
- Detailed reasons for exceptions/failures are provided to the Command.
- Commands must ensure all controls are implemented, whether or not their controls were tested any given month.

Statement of Budgetary Resources Testing:

- Began June 2012.
- Covers nine SBR business processes.
- Includes all GFEBS users / organizations.

Existence and Completeness Testing:

- ME/GE began in October 2012; OM&S will begin in February & RP in March.
- Testing universe includes:
 - PBUSE users/organizations (ME/GE).
 - Accountable Property Systems of Record (APSR) users / organizations (e.g., LMP, SAAS-MOD) with Class V assets (OM&S).
 - GFEBS users / organizations (Real Property).



Next Steps: Requirements for Improvement

OASA(FM&C) is committed to:

- Communicating results and recommendations across the enterprise.
- Expanding training (adding new modules to ALMS).
- Implementing efficiencies (e.g., integrate annual Statement of Assurance with audit readiness checklists).
- Updating policies, procedures, and guidance that support audit readiness.

Across the Army leaders must:

- Enforce requirements built into regulations and policies.
- Require training for appropriate staff.
- Drive audit readiness into all performance standards.
- Build audit readiness into software investments (Primarily HQDA):
 - GRC to automate current manual controls.
 - Eliminate manual workarounds and touch points.
 - Support DCMO standardization effort (SLOA/SFIS, etc).



Senior Level Steering Group/Senior Assessment Team

ICOFR Material Weaknesses Summary of Corrective Action Plans



ICOFR Material Weaknesses

Summary of Corrective Action Plans

Fund Balance with Treasury (GF)

Current Target Date: 3rd Qtr FY 2014 (Lead – DFAS, Support – OASA(FM&C))

Senior Official in Charge: DASA(FO), OASA(FM&C)

Description of Weakness: Inability to reconcile collections and disbursements at the detailed transaction level with the records of the Department of the Treasury.

Corrective Action: Army will develop an auditable Fund Balance with Treasury reconciliation process.

Impediments: Legacy systems and processes create multiple reconciliation points.

Operating Materials & Supplies (GF)

Current Target Date: 1st Qtr FY 2014 (Lead – AMC, Support – OASA(FM&C))

Senior Official in Charge: DCS/Army G-4

Description of Weakness: Systems do not maintain historical cost data necessary to comply with Statement of Federal Financial Accounting Standards No. 3, “Accounting for Inventory and Related Property.” Also, systems cannot produce financial transactions using the U.S. Government Standard General Ledger.

Corrective Action: GFEBS and GCSS-A will provide the required general ledger processing capability. Additional corrective actions are also needed to ensure that required physical inventories are conducted and properly documented.

Impediments: Slippage in the GCSS-A deployment schedule may impact ability to resolve the weakness.

Inventory (AWCF)

Current Target Date: 3rd Qtr FY 2015 (Lead – AMC, Support – OASA(FM&C))

Senior Official in Charge: DCS/Army G-4

Description of Weakness: Systems do not maintain historical cost data necessary to comply with accounting standards.

Corrective Action: LMP provides the general ledger processing capability. Corrective actions are needed to ensure LMP processes are stable.

Impediments: Ability to correct abnormal balances resulting from legacy system data conversions. Unit of issue and Unit of measure problems.



ICOFR Material Weaknesses

Summary of Corrective Action Plans

General PP&E (GF)

Current Target Dates: 1st Qtr FY 2014 (Leads – AMC, OACSIM, Army G-4, Support – OASA(FM&C))

Senior Official in Charge: DASA(FO), OASA(FM&C)

Description of Weakness: General PP&E is not recorded at acquisition or historical cost and does not include all costs needed to bring these assets to a form and location suitable for their intended use.

Corrective Action: Army will evaluate and implement internal controls to ensure that General PP&E assets are accurately recorded and managed in the accountable property systems of record; and will ensure that financial accountability systems for all Military Table of Equipment unit property books comply with the Federal Financial Management Improvement Act (FFMIA) of 1996.

Impediments: Army may not have sufficient documentation to support recorded values, and may need to employ alternate valuation methods.

General PP&E (AWCF)

Current Target Date: 2nd Qtr FY 2015 (Leads – AMC, OACSIM, Army G-4, Support – OASA(FM&C))

Senior Official in Charge: DASA(FO), OASA(FM&C)

Description of Weakness: GPP&E is not recorded at acquisition or historical cost.

Corrective Action: Evaluate and implement internal controls to ensure GPP&E assets are accurately recorded and managed in the property systems of record; and ensuring financial accountability systems for all Military Table of Equipment unit property books comply with FFMIA.

Impediments: May not have documentation to support recorded values, and may need to employ alternate valuation methods.



ICOFR Material Weaknesses

Summary of Corrective Action Plans

Environmental Liabilities (GF)

Current Target Date: 1st Qtr FY 2015 (Lead – OACSIM, Support – OASA(FM&C))

Senior Official in Charge: DASA(FO), OASA(FM&C)

Description of Weakness: Improper estimation and reporting of environmental liabilities.

Corrective Action: Army will implement systems, processes, and controls to ensure the accuracy of site level environmental liability data.

Impediments: None at this time.

Intragovernmental Eliminations (GF)

Current Target Date: 2nd Qtr FY 2014 (Lead – OASA(FM&C), Support – OUSD(C))

Senior Official in Charge: DASA(FO), OASA(FM&C)

Description of Weakness: Inability to collect, exchange, and reconcile buyer and seller transactions.

Corrective Action: Army will fully deploy GFEBS, ensuring compliance with the Department of Defense's standard financial information structure (SFIS). as a means to identify and reconcile intragovernmental balances.

Impediments: GFEBS alone may not be sufficient to resolve this weakness.

Intragovernmental Eliminations (AWCF)

Current Target Date: 1st Qtr FY 2015 (Lead – OASA(FM&C), Support – OUSD(C))

Senior Official in Charge: DASA(FO), OASA(FM&C)

Description of Weakness: Unable to collect, exchange and reconcile buyer and seller transactions.

Corrective Action: Deploy LMP, including SFIS compliance, to help identify and reconcile trading partner transactions.

Impediments: LMP alone may not be sufficient to resolve this weakness.



ICOFR Material Weaknesses

Summary of Corrective Action Plans

Accounting Adjustments (GF)

Current Target Date: 2nd Qtr FY 2013 (Lead – OASA(FM&C), Support – OUSD(C))

Senior Official in Charge: DASA(FO), OASA(FM&C)

Description of Weakness: DFAS processed \$14.6 billion in unsupported journal voucher adjustments in preparing the FY 2011 Army General Fund financial statements.

Corrective Action: Full deployment of an SFIS-compliant GFEBS will enable the Army to submit a GF trial balance directly to DFAS. This will reduce the need for DFAS to process unsupported accounting adjustments.

Impediments: GFEBS alone may not be sufficient to resolve this weakness.

Accounting Entries (AWCF)

Current Target Date: 2nd Qtr FY 2015 (Lead – OASA(FM&C), Support – OUSD(C))

Senior Official in Charge: DASA(FO), OASA(FM&C)

Description of Weakness: DFAS processed \$219.1 million in unsupported journal voucher adjustments.

Corrective Action: Ensure LMP will be compliant with SFIS to reduce the need for unsupported adjustments

Impediments: Anticipate journal voucher processing in the LMP environment.

Accounts Receivable (GF)

Current Target Date: 3rd Qtr FY 2014 (Lead – DFAS, Support – OASA(FM&C))

Senior Official in Charge: DASA(FO), OASA(FM&C)

Description of Weakness: Inability to document accounts receivable at the detailed transaction level, mismatches between entitlement systems and accounting systems, noncompliance with policies and procedures regarding referrals to the Debt Management Office of the Department of Treasury, and inability to age debts and assess interest.

Corrective Action: GFEBS enables the audit of receivables from source transaction posting to the general ledger, and also provides the ability to age receivables and assess interest.

Impediments: Feeder systems may not provide data necessary to account for all receivables.



ICOFR Material Weaknesses

Summary of Corrective Action Plans

Accounts Payable (GF)

Current Target Date: 3rd Qtr FY 2014 (Lead – DFAS, Support – OASA(FM&C))

Senior Official in Charge: DASA(FO), OASA(FM&C)

Description of Weakness: Lack of integration between contracting, entitlement, payment, and accounting systems prevents the Army from properly recording and reporting accounts payable.

Corrective Action: GFEBS provides the ability to record payables upon receipt of goods and services, and integrates many of the contracting, entitlement, payment, and accounting functions.

Impediments: Relying on systems outside of GFEBS in the procurement process may not provide required information to record and report accounts payable.

Accounts Payable (AWCF)

Current Target Date: 1st Qtr FY 2015 (Lead – DFAS, Support – OASA(FM&C))

Senior Official in Charge: DASA(FO), OASA(FM&C)

Description of Weakness: Reliance on unsupported adjustments processed by DFAS to report accounts payable balances.

Corrective Action: Implementing an upgrade for constructive receipts in LMP, scheduled for December 2011.

Impediments: Continued reliance on non-integrated contracting and entitlement processes and systems.



ICOFR Material Weaknesses

Summary of Corrective Action Plans

Statement of Net Cost (GF)

Current Target Date: 3rd Qtr FY 2014 (Lead – OASA(FM&C), Support – OUSD(C))

Senior Official in Charge: DASA(FO), OASA(FM&C)

Description of Weakness: Statement of Net Cost is not presented by programs that align with major goals and outputs described in the Department of Defense (DoD) strategic and performance plans required by the Government Performance and Results Act.

Corrective Action: Army will report the Statement of Net Cost in accordance with programs described in the DoD strategic and performance plans. Army will also fully deploy GFEBS and ensure that the system's capabilities are functioning properly.

Impediments: None at this time.

Statement of Net Cost (AWCF)

Current Target Date: 1st Qtr FY 2015 (Lead – OASA(FM&C), Support – OUSD(C))

Senior Official in Charge: DASA(FO), OASA(FM&C)

Description of Weakness: Financial management systems did not accurately capture costs for programs or properly account for intragovernmental transactions and related eliminations.

Corrective Action: Identified a need for an interim solution to perform tie point analysis between budgetary and proprietary accounts.

Impediments: Implementing tie point analysis in LMP is an unfunded requirement for FY 2012.



ICOFR Material Weaknesses

Summary of Corrective Action Plans

Abnormal Account Balances (GF)

Current Target Date: 2nd Qtr FY 2013 (Lead – OASA(FM&C), Support – OUSD(C))

Senior Official in Charge: DASA(FO), OASA(FM&C)

Description of Weakness: DFAS did not detect, report, or take action to eliminate the abnormal balances.

Corrective Action: Full deployment of GFEBS will enable the Army to detect and correct abnormal balances through general ledger tie point reconciliations and other processes.

Impediments: Abnormal balances may continue with interface partners.

Abnormal Account Balances (AWCF)

Current Target Date: 2nd Qtr FY 2015 (Lead – OASA(FM&C), Support – OUSD(C))

Senior Official in Charge: DASA(FO), OASA(FM&C)

Description of Weakness: Abnormal balances in LMP are caused by incorrect general ledger attributes.

Corrective Action: LMP SFIS compliance will correct abnormal balances caused by incorrect general ledger attributes.

Impediments: Ability to document manual corrections. Changing the business culture and/or processes.



ICOFR Material Weaknesses

Summary of Corrective Action Plans

Statement of Budgetary Resources (GF)

Current Target Date: 3rd Qtr FY 2014 (Lead – OASA(FM&C), Support – OUSD(C))

Senior Official in Charge: DASA(FO), OASA(FM&C)

Description of Weakness: Accounting systems do not provide or capture data needed for obligations incurred or prior year obligations recovered pursuant to Office of Management and Budget Circular No. A-11, “Preparation, Submission and Execution of the Budget.”

Corrective Action: Army is conducting audit readiness work at Army installations and DFAS to implement effective internal controls over the budget distribution, execution, and reporting processes. Army will fully deploy GFEBS and ensure that the system’s capabilities are functioning properly.

Impediments: None at this time.

Statement of Budgetary Resources (AWCF)

Current Target Date: 2nd Qtr FY 2015 (Lead – OASA(FM&C), Support – OUSD(C))

Senior Official in Charge: DASA(FO), OASA(FM&C)

Description of Weakness: DFAS relies on un-auditable crosswalks and other processes to prepare the SBR.

Corrective Action: LMP SFIS compliance will eliminate the reliance on un-auditable processes when preparing the SBR.

Impediments: LMP environment continues to rely on legacy business processes and systems.



ICOFR Material Weaknesses

Summary of Corrective Action Plans

Reconciliation of Net Cost of Operations to Budget (GF)

Current Target Date: 3rd Qtr FY 2014 (Lead – OASA(FM&C), Support – OUSD(C))

Senior Official in Charge: DASA(FO), OASA(FM&C)

Description of Weakness: Army cannot accurately represent the relationship between budgetary obligations incurred and the Statement of Net Cost.

Corrective Action: Integrated capabilities of GFEBS will enable the Army to represent relationships between budgetary obligations incurred and the Statement of Net Cost.

Impediments: None at this time.

Reconciliation of Net Cost of Operations to Budget (AWCF)

Current Target Date: 1st Qtr FY 2015 (Lead – OASA(FM&C), Support – OUSD(C))

Senior Official in Charge: DASA(FO), OASA(FM&C)

Description of Weakness: Could not reconcile information reported in Note 21 with AWCF Statement of Net Cost without forcing costs to match obligation information.

Corrective Action: Identified a need for an interim solution to perform tie point analysis between the budgetary and proprietary accounts.

Impediments: Implementing tie point analysis in LMP is an unfunded requirement for FY 2012.

Contingency Payment Audit Trails (GF)

Current Target Date: 1st Qtr FY 2013 (Lead – OASA(FM&C), Support – AAA)

Senior Official in Charge: OASA(ALT)

Description of Weakness: Challenges in tracing audit trails for support of financial statements.

Corrective Action: Army implemented recommendations from Army Audit Agency (AAA) reports, and will follow up with AAA to validate that recommendations have been implemented.

Impediments: No known impediments to implementing the corrective action plan.



Senior Level Steering Group/Senior Assessment Team

ICOFs Material Weaknesses Summary of Corrective Action Plans



ICOFs Material Weaknesses

Financial Management Systems (GF)

Current Target Date: 4th Qtr FY 2015 (Lead – OASA(FM&C), Support – OUSD(C))

Senior Official in Charge: Financial Information Management, OASA(FM&C)

Description of Weakness: Army accounting systems lacked a single, standard transaction-driven general ledger. Army also needed to upgrade or replace many of its non-financial feeder systems so that financial statement reporting requirements could be met. The lack of a single, standard transaction-driven general ledger will continue to prevent the Army from preparing auditable financial statements.

Corrective Action: Implementation and fielding of GFEBs.

Impediments: Feeder systems performing non-financial transactions may not be able to provide data necessary to properly report all financial transactions.

Financial Management Systems (AWCF)

Current Target Date: 4th Qtr FY 2015 (Lead – OASA(FM&C), Support – OUSD(C))

Senior Official in Charge: Financial Information Management, OASA(FM&C)

Description of Weakness: Army Working Capital Fund systems do not collect and record financial information as required by U.S. General Accounting and Auditing Principles (GAAP). The financial and nonfinancial feeder systems do not contain the required system integration to provide a transaction-level audit trail for the amounts reported in the proprietary and budgetary general ledger accounts.

Corrective Action: Fully implement and deploy the LMP. Ensure required physical inventories are conducted and properly documented, and LMP processes are stable.

Impediments: Ability to reconcile and document actions necessary to correct abnormal balances resulting from legacy system data conversions.